



Payroll Consolidation Across the Federal Government

Working for America

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Message from the President

“The [E-Government Act of 2002] Act will also assist in expanding the use of the Internet and computer resources in order to deliver Government services, consistent with the reform principles I outlined on July 10, 2002, for a citizen-centered, results-oriented, and market-based Government”.

- George W. Bush



Message from the Director



“e-Government is an integral part of the President's Management Agenda to make it easier for citizens and businesses to interact with the government, save taxpayer dollars and streamline citizen-to-government transactions.”

- Kay Coles James

A vertical strip of an American flag is visible on the left side of the slide, showing the stars and stripes.

OPM e-Government Initiatives e-Payroll

Purpose

- OPM's Role in Reshaping the Federal Workforce
- e-Payroll Overview
- Consolidation Methodology
- Standardization Approach
- Modern Payroll Technology
- Benefits and Next Steps



Reshaping the Federal Workforce

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Strategic Management of Human Capital

- By the end of 2006 almost 40% of current Federal employees will be eligible for optional retirement
 - Almost 15% (222,592) are eligible now and could retire with full benefits
 - Since 1990 average age increased from 42 to 46.5
- Agencies must reshape their human capital strategies and organizations to attract and retain the right people, in the right places, at the right time; and make high performance a way of life
- HR challenges include: recruiting, retention, “brain drain”, workforce planning, training, and career development



Imagine, if you will

....an electronic government in which the power of technology is harnessed to enhance the efficiency and effectiveness of, not only its military operations and services to its citizens, but the entire range of human resources functions--recruitment, personnel records, training, payroll, security clearances, and retirement.



e-Government Vision

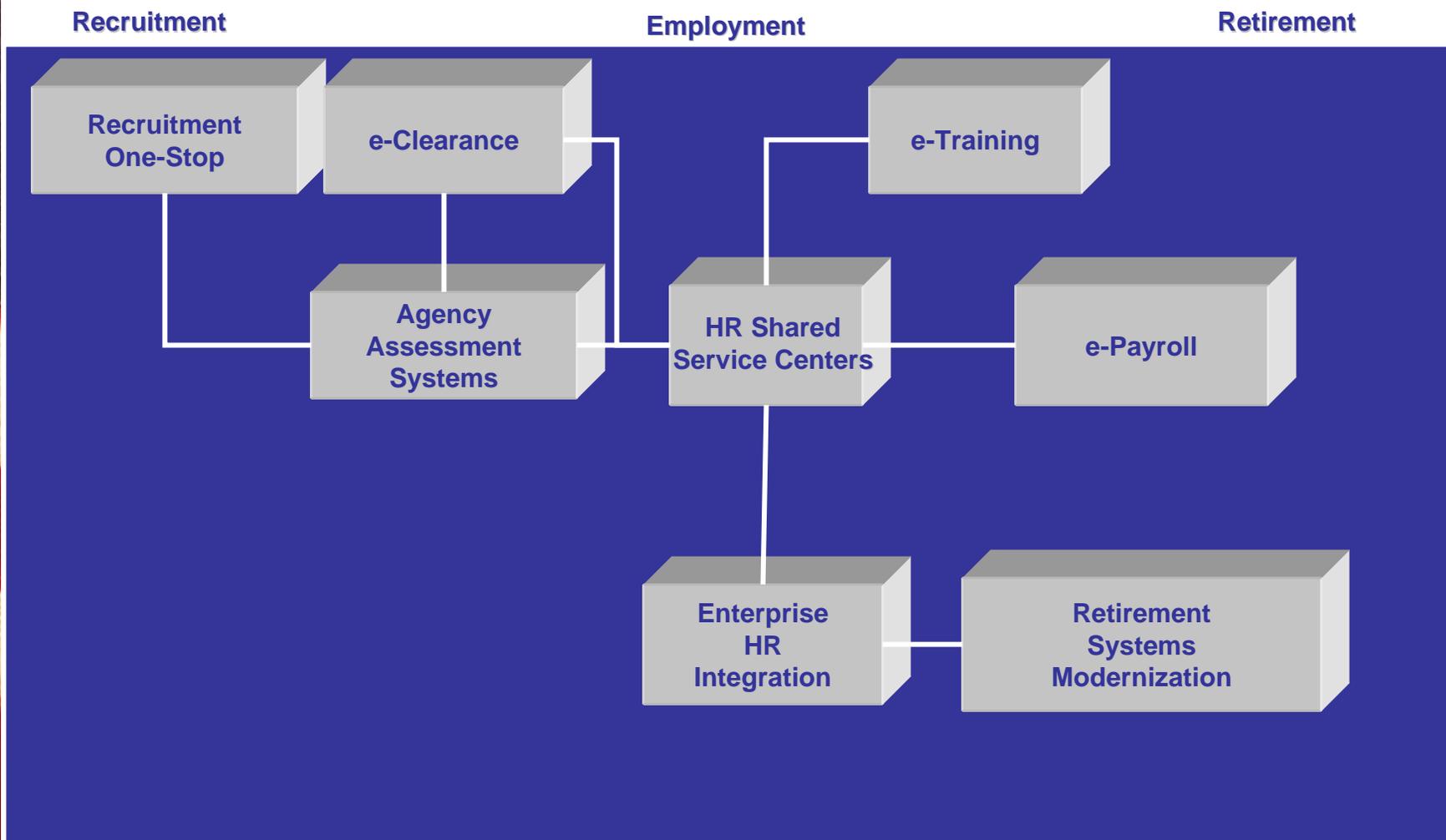
A suite of integrated HR applications built on the five OPM e-Gov initiatives which will streamline and improve processes for moving Federal employees through their employment lifecycle.

- Recruitment One-Stop
- E-Clearance
- E-Training
- Enterprise Human Resource Integration
- E-Payroll

Consistent with Federal Enterprise Architecture
Consistent with security and privacy standards



Interrelationships Among OPM e-Gov Initiatives



The Employee Life Cycle

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E-Gov Results

- Recruitment One-Stop provides a single point of access for Federal jobseekers
- E-Training provides one-stop access to high quality training products and services
- E-Clearance provides improved and faster processing of security clearances
- EHRI seeks to develop electronic personnel forms and eliminate the paper personnel record
- E-Payroll provides consolidated and simplified Federal payroll processing



Summary

- The five integrated OPM initiatives frame the Federal employee life cycle from recruitment to retirement
- They support Expanded Electronic Government in the President's Management Agenda
- They support Strategic Management of Human Capital in the President's Management Agenda



E-Payroll Overview



Why e-Payroll?

- Strategic Management of Human Capital
- Competitive Sourcing
- Improved Financial Performance
- Expanded Electronic Government
- Budget and Performance Integration



Why OPM?

- Leader for Human Capital
- Managing the Federal Lifecycle

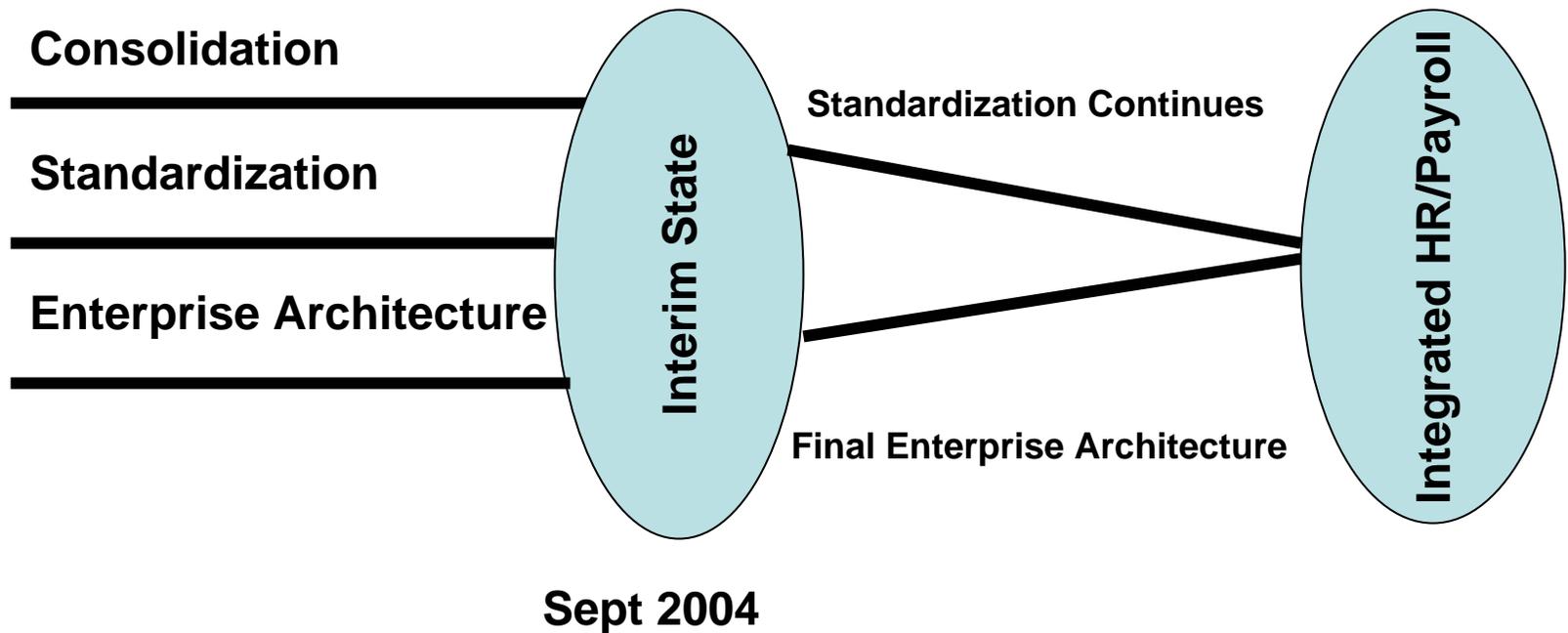


E-Payroll Goals

- Establish a governance structure
- Standardize payroll policies and procedures
- Establish HR/Payroll enterprise architecture
- Identify a payroll service delivery consolidation strategy
- Implement modern payroll solution



OPM e-Payroll Implementation Approach



Approach

- Governance
 - E-Government Initiatives Office & Project Teams
 - Payroll Advisory Council (PAC)
 - Assess migrations, identify opportunities for standardization, participate in the study of technology solution
 - Provide advice to the Director of OPM
- Consolidation
 - Reduce Federal payroll providers
 - 26 down to 4 down to 2
 - Migrate non-continuing providers
- Standardization
 - Identify opportunities to streamline policies affecting payroll
 - Establish process to standardize policies
- Technology
 - Leverage existing modern technologies
 - Develop Strategic Plan
 - Select and implement modern payroll technology



Accomplishments

- Approved Business Case
- Confirmed Approach
 - Governance
 - Consolidation Process
 - Standardization Process
 - Technology Solution



E-Payroll Consolidation

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OPM e-Payroll Current Environment

- 26 Payroll Providers
 - 4 largest providers service 80% of total Federal civilian payroll
 - Defense Finance & Accounting Service
 - Dept. of Interior
 - Dept. of Veterans Affairs
 - Dept. of Agriculture
- Cost for current provider systems (FY 2003 – 2012)
 - Operations \$1.5 billion
 - Investments \$0.7 billion
 - TOTAL \$2.2 billion

Current Payroll Providers

1. American Battle Monuments Commission
2. *Central Intelligence Agency*
3. Defense Finance and Accounting Service
4. Dept. of Energy
5. Dept. of Interior
6. Dept. of Labor
7. Dept. Transportation
8. Environmental Protection Agency
9. *Federal Bureau of Investigation*
10. *Federal Reserve Board*
11. General Services Administration
12. Dept of Health and Human Services
13. National Aeronautics & Space Administration
14. Nuclear Regulatory Commission
15. *National Security Agency*
16. National Science Foundation
17. Office of Thrift Supervision
18. *Railroad Retirement Board*
19. Dept. of State
20. *Tennessee Valley Authority*
21. U.S. Dept. of Agriculture
22. Dept. of Veterans Affairs
23. Dept. of Homeland Security
24. Federal Energy Regulatory Commission
25. Panama Canal Commission
26. Broadcasting Board of Governors

Note: Agencies italicized have identified unique requirements or requested an exemption



Selection Process

- Internal Government Solicitation Process
 - All provider agencies had opportunity to participate
 - *Request for Response* package developed
 - 8 major categories
 - 42 criteria
 - Technical Evaluation Panel
 - Source Selection Advisory Board
- Selection by OPM Director Kay Coles James
- Approved by then-OMB Director Mitch Daniels, Jr.

Payroll Provider Respondents

1. U.S. Dept. of Agriculture, National Finance Center
2. Dept. of Defense, Defense Finance and Accounting Service
3. Dept. of Interior, National Business Center
4. Dept. of Transportation, Federal Aviation Administration
5. General Services Administration
6. Dept. of Health & Human Services
7. Dept. of State
8. Dept. of Veterans Affairs



OPM e-Payroll Consolidation Payroll Providers – Best Qualified Group

1. U.S. Dept. of Agriculture, National Finance Center (NFC)
2. Dept. of Defense, Defense Finance and Accounting Service (DFAS)
3. Dept. of Interior, National Business Center (NBC)
4. General Services Administration (GSA)

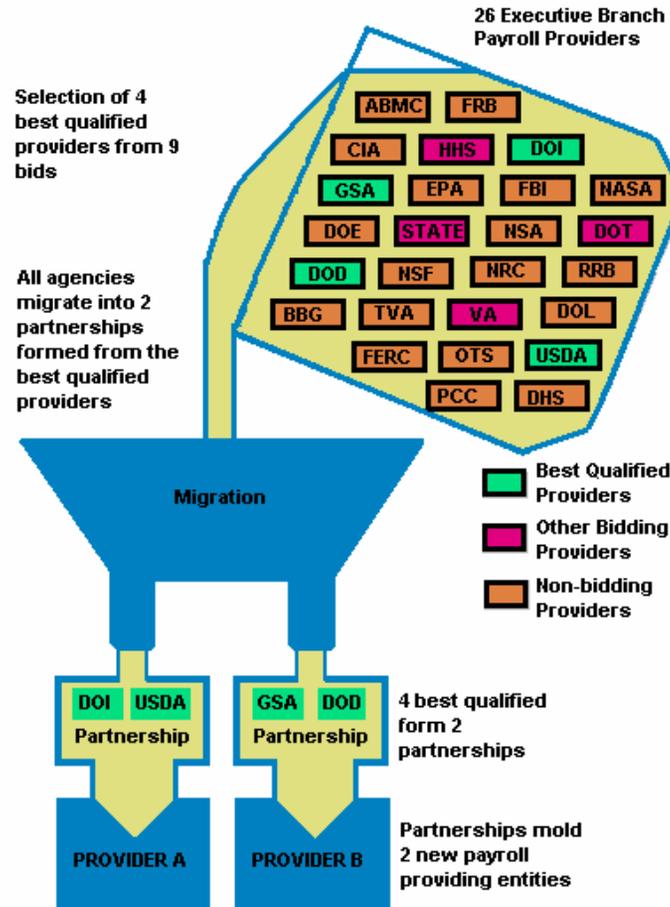


Partnership

- Memorandum of Agreement signed
 - USDA/DOI
 - DOD/GSA
- Migrate Customers by September 30, 2004
- Conduct Technology Study
- Participate in Standardization Process
- Develop Strategy for Merger Process
 - Merger outline submitted August 15, 2003
 - Resolve issues
 - Implement merger plan



Future Federal Payroll Providers



Consolidation Status

Summary of 22 Migrations

- **6 ½ Completed**
 - DOE, NRC, ABMC, NSF, RRB and NASA
- **10 ½ Scheduled**
 - HHS, OTS, FBI, ¾ DOT, VA, DOL, EPA, FERC, ¾ DHS, TVA, and PCC
- **4 Deferred/Pending**
 - DOS, BBG, CIA, and NSA
- **1 Exempt**
 - FRB



E-Payroll Standardization

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OPM e-Payroll Standardization

- Standardization Process
 - Process reengineering
 - Stakeholder involvement
 - Communication
 - Change methodology
 - Benchmarking
- Payroll Processing Baseline
 - JFMIP requirements
 - Standardization through consolidation of providers
 - Integrate the standardization process with the consolidated providers



OPM e-Payroll Standardization

- Review of Policies and Procedures
 - May 2002 – Interagency Team Established
 - June 2002 – Reviewed and Analyzed Policies
- Improvement Opportunities Identified
 - July 2002 – 87 Policies Identified – Primarily Title 5
 - Internal review and processing
- Integrating Standardization with Consolidated Providers



Standardization

- Report of Findings
 - 87 Opportunities for Streamlining
 - 56 Non-Legislative
 - 32 Fall within HR
 - 29 Payroll Service Delivery



Standardization

- PAC Established Focus Group
 - Assess HR Opportunities and Impact on Payroll
 - Analyze Payroll Opportunities
 - Formulate Recommendations
- Report Approved by PAC
 - Provider Workgroup
 - Publication Determination



E-Payroll Benefits and Next Steps

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E-Payroll Benefits

- Elimination of Redundant Systems and Processes
- Internal Efficiencies and Effectiveness
- Cost Reductions – Estimated \$1.1 Billion Savings
- Reshapes Federal Payroll
- Enables Agencies to Focus on Core Mission
- Enhances Standardization



Next Steps

- Conduct Benchmarks
- Conduct Compliance Reviews
- Oversee Migrations
- Assess Existing Modern Technology
 - Federal Enterprise Architecture (FEA)
 - Demonstration (Demo) Laboratory



Technology Replacement

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Implementation Study

- **The Objectives of the Implementation study:**
 - Identify critical issues and external considerations relative to the creation of the Laboratory
 - Recommend an approach for an e-Payroll/HR Systems laboratory as a Government/Industry partnership



Implementation Study Approach

- An interview guide with a generic set of 21 questions was developed
- A Summary presentation was used to describe the goals and objectives of the study to the interviewees before interviews
- Interviews were conducted with key staff members from across the following six stakeholder communities:
 - **Payroll Providers (4)** – consists of the four e-payroll initiative payroll providers
 - **Human Resources (12)** - selection of small to large HR entities
 - **Software Vendors (5)** – vendors that have experience in software technology testing
 - **Payroll Advisory Council & JFMIP (7)** - consists of member representatives
 - **Implementers & Hosts (6)** – selected Federal HR/Payroll Integrators
 - **Other Practices (10)** – organizations that can provide lessons learned and best practices
- Interviews were held using the Interview Guide, excluding questions that were not relevant to the particular interviewee
- All information collected from interviews is non-attributable
- Results have been documented and a draft report of findings, consisting of three operational alternatives, has been prepared

General Findings

- Participants welcomed an opportunity to provide input to OPM and viewed this study as a positive outreach effort
- A technology demonstration laboratory for Federal Payroll/HR has never been done before
- A set of minimum standards must be defined in order to successfully conduct a demonstration laboratory
- Participation by software vendors and system integrators relies heavily on the ability of the laboratory to be fair and competitive
- There is a need to further exam how Payroll/HR system certification may be performed



Alternative Models

- Three high level alternative operational models for conducting a technology demonstration laboratory were developed.
- The models take into consideration findings relative to organization, cost/funding, operations, issues and external factors.
- The operational models are:
 - **Center of Excellence** – Lessons learned and best practices are shared among industry and Government
 - **Solution Center** – Multiple demonstration laboratories are hosted by integrators or software providers as a part of integrated payroll/HR solution
 - **Clearing House** – A single demonstration laboratory is used to test and certify integrated payroll/HR systems



Center of Excellence Model

Description

- Provides for demonstrations rather than testing vendor software capabilities
- Provides strategic direction for government agencies
- Creates central mechanism for sharing across Government and industry
- Minimal acquisition costs
- Participation maybe limited due to voluntary nature

Solution Center Model

Description

- Single entity testing single solution
- Solution specific to integrated HR/Payroll model
- Non-governmental hosts
- Testing performed by integrator, vendor or independent third party
- Relatively low Government investment
- Leverages existing investments across industry and Government
- Government provides test scripts and baseline performance standards
- Allows for testing within a vendor solution
- Government establishes a fair and consistent criteria for evaluating results across participants



Clearing House Model

Description

- Single entity testing multiple solutions
- Facility supervised by Government but may be run by private or public entity
- Government provides tests scripts and performance criteria
- Allows for testing across as well as within commercial off-the-shelf (COTS)/ government off-the-shelf (GOTS) offerings
- Test licenses are negotiated
- Offers capability to expand testing to include or build upon other aspects of payroll/HR solution
- Establishes common platform against which to access solutions



Recommendation

- The alternative which best meets the goal of supporting the selection of an integrated HR/Payroll technology solution is the ***Clearing House model***.

Description

- A single government-supervised laboratory would serve as a “clearing house” where comprehensive testing of HR and payroll software is performed.
- May offer longer-term benefits that can be applied to the mid-term and longer-term HR LoB shared service center delivery models.
- The Clearing House Alternative was selected because it will provide the Federal Government with the maximum flexibility to test across a range of potential COTS and GOTS solutions.

Key Attributes

- Single entity testing multiple solutions
- Facility supervised by Government but may be run by private or public entity
- Government provides tests scripts and performance criteria
- Allows for testing across as well as within COTS/GOTS offerings
- Test licenses are negotiated
- Offers capability to expand testing to include or build upon other aspects of payroll/HR solution
- Establishes common platform against which to access solutions



Linkage to the Human Resources Line Of Business (HR LOB)

- **HR LOB Perspective**
 - **Aligns with Service Delivery Model**
 - Core Activities First (Near-term)
 - Time and Attendance
 - Personnel Action Processing
 - Payroll Management
 - Benefits Administration
 - Distribute Labor
 - Mid and Long Term applicability
 - Access after completing core activities
 - **Provides Baseline Evaluation for Future HR LOB Acquisitions**
 - Functionality
 - Interoperability
 - Integration



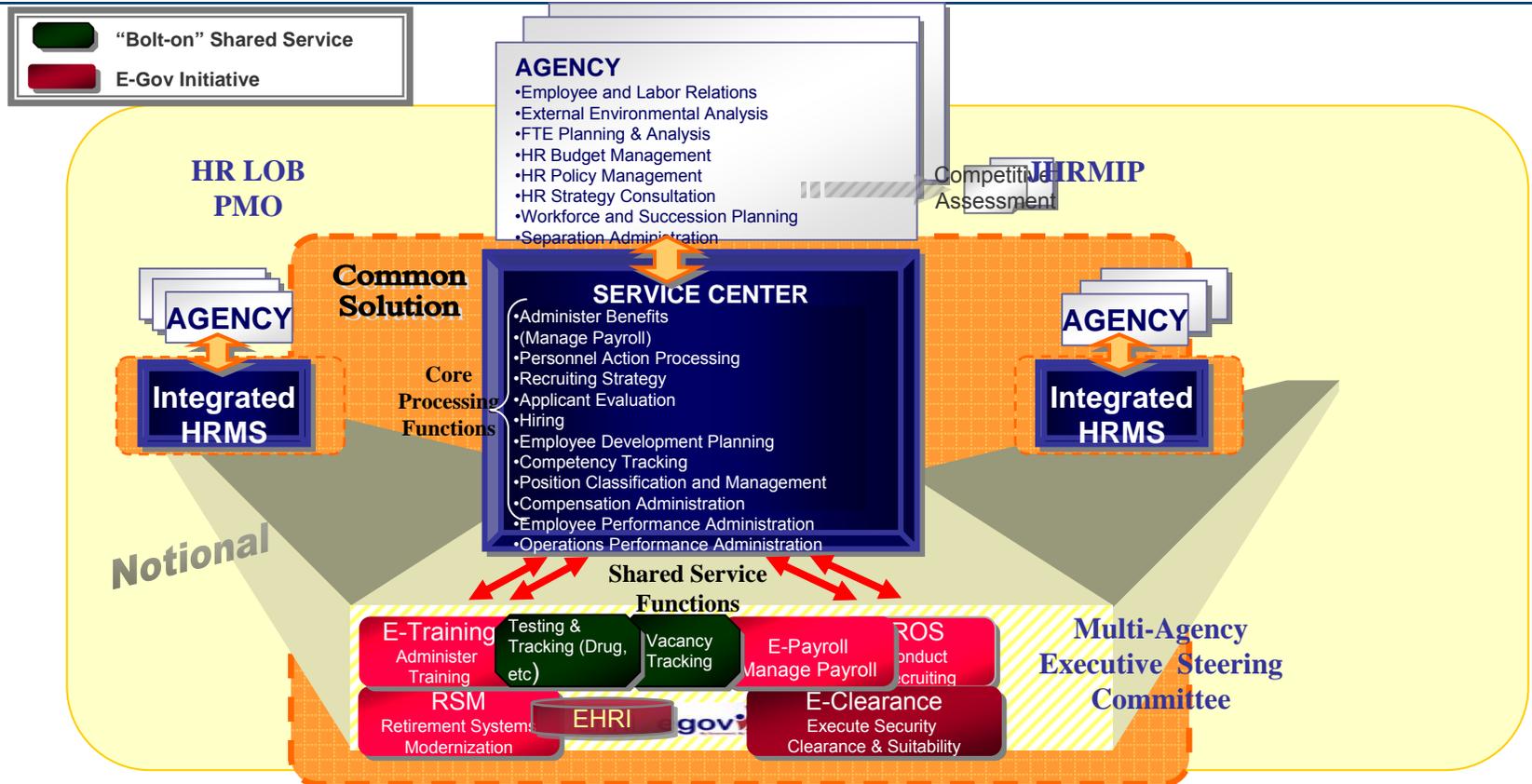
Human Resources Line of Business (HR LOB)

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Shared Services Model, the Concept of Operations of the HR LOB



- Multiple shared Service Centers
- IT hosting services including hardware, software and infrastructure support
- Governance structure - multi-agency executive steering committee
- Joint Human Resources Management Improvement Program (J-HRMIP)
- Standardize policies, procedures and requirements (functional, technical, and data requirements) for all HR LOB functions



Contact Information

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